

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>PEAINE TOWNSHIP</b>	County <b>CHARLEVOIX</b>
Fiscal Year End <b>MARCH 31, 2006</b>	Opinion Date <b>JUNE 14, 2006</b>	Date Audit Report Submitted to State <b>SEPTEMBER 30, 2006</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

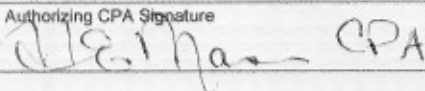
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) <b>MASON &amp; KAMMERMAN, PC</b>		Telephone Number <b>(231) 547-4911</b>	
Street Address <b>110 PARK AVENUE</b>		City <b>CHARLEVOIX</b>	State Zip <b>MI 49720</b>
Authorizing CPA Signature  CPA		Printed Name <b>Hugh E Mason, CPA</b>	License Number <b>1101008161</b>

PEAINE TOWNSHIP  
CHARLEVOIX COUNTY, MICHIGAN

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FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION  
for the year ended March 31, 2006

MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CHARLEVOIX, MICHIGAN

# Peaine Township

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# **Peaine Township**

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MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON  
VELDA K. KAMMERMANN

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INDEPENDENT AUDITOR'S REPORT

June 14, 2006

Members of the Township Board  
Peaine Township  
Beaver Island, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Peaine Township of Beaver Island, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

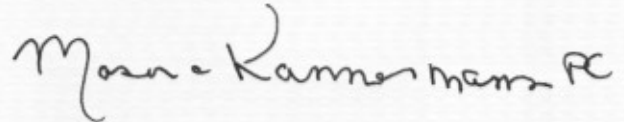
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Peaine Township as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of April 1, 2004, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mason & Kammermann PC".

Mason & Kammermann, P.C.  
Certified Public Accountants

# **Peaine Township**

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## **Management's Discussion & Analysis June 14, 2006**

This section of Peaine Township's annual financial report presents our discussion and analysis of the financial performance of the Township during the fiscal year ended March 31, 2006.

### **Overview of the Financial Statements**

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are in a new format implemented over this fiscal year to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). Peaine Township's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and the notes to the financial statements. Additionally, this report also contains other supplementary information to the basic financial statements.

### **Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Township's assets and liabilities. All of the current year's revenues and expense are accounted for in the Statement of Activities regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of Peaine Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Peaine Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year, on the modified accrual basis of accounting.

### **Fund Financial Statements**

The fund financial statements provide information separated into related areas to demonstrate how resources have been allocated for specific activities or functions. Peaine Township, like other governmental entities, uses fund accounting to ensure compliance with the requirements of accounting standards and laws. Peaine Township uses two categories of funds, which are governmental and fiduciary funds.

# Peaine Township

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## Management's Discussion & Analysis June 14, 2006

### Governmental funds

Governmental funds are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Peaine Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Airport Fund and Waste Management Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of individual and combining statements elsewhere in this report.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs.

# Peaine Township

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## Management's Discussion & Analysis June 14, 2006

### Financial Analysis of the Township as a Whole

The table below summarizes the Township's net assets as of March 31, 2006:

<b>Net Assets March 31, 2006</b>	
	<u>Governmental Activities</u>
<b>Assets</b>	
Current Assets	\$ 782,897
Capital Assets, net acc. depreciation	<u>1,987,332</u>
Total Assets	<u>2,770,229</u>
<b>Liabilities</b>	
Current Liabilities	24,750
Long-Term Debt, net current portion	<u>399,182</u>
Total Liabilities	423,932
<b>Net Assets</b>	
Invested in Capital Assets	1,565,444
Restricted	384,104
Unrestricted	<u>396,749</u>
Total Net Assets	<u>\$ 2,346,297</u>

The total net assets of the Township's are \$2,346,297. Net assets totaling \$384,104 are restricted for public safety, health and welfare and public works. The township has \$396,749 of unrestricted net assets, which could be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

# Peaine Township

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## Management's Discussion & Analysis June 14, 2006

The following table shows how activities affected changes in net assets during the fiscal year.

### Changes in Net Assets For The Year Ended March 31, 2006

	Governmental Activities
<b>Revenues:</b>	
Program Revenues	
Charges for Services	\$ 127,123
Operating Grants & Contributions	28,127
General Revenues:	
Property Taxes	449,613
Administrative Fees	7,948
State Shared Revenues	29,131
Interest	6,040
Other	6,212
	<hr/>
Total Revenues	654,194
<b>Expenses:</b>	
Legislative	44,104
General Government	109,861
Community & Economic Development	20,297
Health & Welfare	85,427
Public Safety	25,313
Public Works	322,691
Recreation and Culture	30,913
Interest on Long-Term Debt	9,056
	<hr/>
Total Expenses	647,662
	<hr/>
Change in Net Assets	\$ 6,532

#### Revenue sources and changes

Total revenue from all sources totaled \$654,194 for governmental activities. This revenue consists of \$449,613 (69%) from property tax collection, \$127,123 (19%) from charges for services, \$29,131 (4%) from state shared revenues and \$28,127 (4%) from operating grants and contributions.

# **Peaine Township**

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## **Management's Discussion & Analysis June 14, 2006**

### **Expenses**

Using a full accrual basis of accounting, the Township spent \$647,662 on governmental activities. This equates to 50% public works, 17% on general government, 13% on health & welfare, 7% on legislative activities, 5% on culture and recreation, 4% on public safety, 3% on community and economic development and 1% on interest of long-term debt.

### **Financial Analysis of the Township's Funds**

At March 31, 2006, the Township's governmental funds reported a combined cash balance of \$744,519, which is approximately \$20,070 less than last year.

Revenues in the General Fund exceeded expenditures by \$32,551, which was due to expenditures not reaching anticipated amounts and also revenues were higher than expected.

The Waste Management Fund had a \$1,399 increase in its fund balance this year. This was also due to expenditures not reaching anticipated amounts.

The Airport Fund had a \$26,967 increase in its fund balance for the year. This was mainly due to revenues being greater than projected.

The nonmajor funds had a \$66,466 decrease in their collective fund balance.

### **Capital Assets**

At fiscal year ended March 31, 2006, the Township had \$1,987,332 of capital assets, net of accumulated depreciation. During the year, the Township invested \$184,417 in a solely owned building. In agreement with St. James Township, they spent \$23,209 on jointly owned building improvements and \$17,007 on jointly owned equipment.

Capital assets include all purchases of assets that exceed \$1,000. Capital assets include: land and land improvements, building and building improvements, equipment and furniture. The Township uses straight-line depreciation for all depreciable assets.

### **Long-Term Debt**

The Township had \$421,888 of outstanding long-term debt as of March 31, 2006.

# **Peaine Township**

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## **Management's Discussion & Analysis June 14, 2006**

### **Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues.

### **Requests for Information**

This financial report is designed to provide a general overview of Peaine Township's finances for all of those with an interest in the township's finances. If you have questions concerning this report or requests for any additional financial information, please contact Peaine Township, 56825 Kings Highway, Beaver Island, MI 49782.

# Peaine Township

## Statement of Net Assets March 31, 2006

	Governmental Activities
<b><u>Assets</u></b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 744,519
Due From Other Funds	537
Taxes Receivable	37,841
Total Current Assets	782,897
<b>Noncurrent Assets</b>	
Capital Assets	2,577,675
Less: Accumulated Depreciation	(590,343)
Total Noncurrent Assets	1,987,332
Total Assets	2,770,229
<b><u>Liabilities and Net Assets</u></b>	
<b>Current Liabilities</b>	
Accounts Payable	537
Accrued Payroll Taxes	1,507
Current Portion of Long-Term Debt	22,706
Total Current Liabilities	24,750
<b>Long-Term Liabilities</b>	
Long-Term Debt, net Current Portion	399,182
Total Liabilities	423,932
<b>Net Assets</b>	
Invested in Capital Assets, net of related debt	1,565,444
Restricted	384,104
Unrestricted	396,749
Total Net Assets	\$ 2,346,297

The accompanying notes are a part of the financial statements.

# Peaine Township

## Statement of Activities For The Year Ended March 31, 2006

		Program Revenues			Net Revenue (Expense) and Change in Net Assets
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total
Governmental Activities					
Legislative	\$ 44,104	\$ -	\$ -	\$ -	\$ (44,104)
General Government	109,861	7,837	-	-	(102,024)
Community & Economic Development	20,297	3,315	-	-	(16,982)
Health & Welfare	85,427	18,361	26,627	-	(40,439)
Public Safety	25,313	-	-	-	(25,313)
Public Works	322,691	97,610	1,500	-	(223,581)
Recreation and Cultural	30,913	-	-	-	(30,913)
Interest on Long-Term Debt	9,056	-	-	-	(9,056)
Total Government Activities	<u>\$ 647,662</u>	<u>\$ 127,123</u>	<u>\$ 28,127</u>	<u>\$ -</u>	<u>(492,412)</u>
General Revenues:					
Taxes:					
Property Taxes					449,613
Administrative Fees					7,948
State Shared Revenues					29,131
Interest					6,040
Other					6,212
Total General Revenues					<u>498,944</u>
Change in Net Assets					6,532
Net Assets - April 1, 2005					<u>2,339,765</u>
Net Assets - March 31, 2006					<u>\$ 2,346,297</u>

The accompanying notes are a part of the financial statements.

# Peaine Township

## Governmental Funds Balance Sheet March 31, 2006

<u>Assets</u>	<u>General</u>	<u>Waste Management</u>	<u>Airport</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 383,225	\$ 127,052	\$ 66,475	\$ 167,767	\$ 744,519
Due from Other Funds	537	-	-	-	537
Taxes Receivable	14,494	11,487	7,710	4,150	37,841
Total Assets	<u>\$ 398,256</u>	<u>\$ 138,539</u>	<u>\$ 74,185</u>	<u>\$ 171,917</u>	<u>\$ 782,897</u>
 <b><u>Liabilities and Fund Equity</u></b>					
Liabilities:					
Accounts Payable	\$ -	\$ -	\$ -	\$ 537	\$ 537
Accrued Payroll Taxes	1,507	-	-	-	1,507
Total Liabilities	1,507	-	-	537	2,044
Fund Equity:					
Unreserved	396,749	138,539	74,185	-	609,473
Unreserved, reported in nonmajor:					
Road Fund	-	-	-	87,462	87,462
Fire Fund	-	-	-	31,422	31,422
EMS Fund	-	-	-	52,030	52,030
Liquor Found	-	-	-	466	466
Total Fund Balance	<u>396,749</u>	<u>138,539</u>	<u>74,185</u>	<u>171,380</u>	<u>780,853</u>
Total Liabilities & Fund Equity	<u>\$ 398,256</u>	<u>\$ 138,539</u>	<u>\$ 74,185</u>	<u>\$ 171,917</u>	<u>\$ 782,897</u>

The accompanying notes are a part of the financial statements.

# Peaine Township

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## Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets March 31, 2006

Total Fund Balances - Governmental Funds	\$	780,853
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Long term liabilities are not due and payable in the current period and are not reported in the governmental funds balance sheet

Bonds Payable	(399,182)
Current Maturities of Debt, Due in One Year	(22,706)

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds balance sheet.

Cost of Capital Assets	2,577,675
Accumulated Depreciation	<u>(590,343)</u>

Total Net Assets - Governmental Activities	<u>\$</u>	<u>2,346,297</u>
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The accompanying notes are a part of the financial statements.

# Peaine Township

## Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances For The Year Ended March 31, 2006

	General	Waste Management	Airport	Other Nonmajor Funds	Total
<b>Revenues:</b>					
Property Taxes	\$ 210,896	\$ 115,671	\$ 73,237	\$ 49,809	\$ 449,613
Administrative Fees	7,948	-	-	-	7,948
State Shared Revenue	18,997	-	-	10,134	29,131
Contributions from Governmental Units	-	-	1,500	26,627	28,127
Charges for Services	7,837	84,504	13,106	18,361	123,808
Licenses & Permits	3,315	-	-	-	3,315
Interest	1,701	633	196	3,510	6,040
Other	593	-	1,491	4,128	6,212
<b>Total Revenues</b>	<b>251,287</b>	<b>200,808</b>	<b>89,530</b>	<b>112,569</b>	<b>654,194</b>
<b>Expenditures:</b>					
Current:					
Legislative	37,795	5,287	1,022	-	44,104
General Government	92,382	-	-	-	92,382
Community & Economic Development	20,297	-	-	-	20,297
Health & Welfare	-	-	-	85,427	85,427
Public Safety	5,823	-	-	75	5,898
Public Works	-	171,236	52,948	43,162	267,346
Recreation and Cultural	26,057	-	-	-	26,057
Capital Outlay	9,324	2,597	-	189,504	201,425
Debt Service:					
Principal	-	19,449	7,317	10,000	36,766
Interest	-	840	2,776	5,440	9,056
<b>Total Expenditures</b>	<b>191,678</b>	<b>199,409</b>	<b>64,063</b>	<b>333,608</b>	<b>788,758</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>59,609</b>	<b>1,399</b>	<b>25,467</b>	<b>(221,039)</b>	<b>(134,564)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	-	-	1,500	25,558	27,058
Transfers Out	(27,058)	-	-	-	(27,058)
Bond Proceeds	-	-	-	135,000	135,000
Bond Issuance Costs	-	-	-	(5,985)	(5,985)
<b>Total Other Financing Sources (Uses)</b>	<b>(27,058)</b>	<b>-</b>	<b>1,500</b>	<b>154,573</b>	<b>129,015</b>
<b>Net Change in Fund Balance</b>	<b>32,551</b>	<b>1,399</b>	<b>26,967</b>	<b>(66,466)</b>	<b>(5,549)</b>
<b>Fund Balances - April 1, 2005</b>	<b>364,198</b>	<b>137,140</b>	<b>47,218</b>	<b>237,846</b>	<b>786,402</b>
<b>Fund Balances - March 31, 2006</b>	<b>\$ 396,749</b>	<b>\$ 138,539</b>	<b>\$ 74,185</b>	<b>\$ 171,380</b>	<b>\$ 780,853</b>

The accompanying notes are a part of the financial statements.

# Peaine Township

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## Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For The Year Ended March 31, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ (5,549)
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Amounts reported for governmental activities in the statement  
of net assets are different because:

Governmental funds report capital outlays and intangible assets  
as expenditures in the statement of activities. These costs are  
allocated over their estimated useful lives as depreciation or  
amortization.

Depreciation Expense	(97,095)
Capital Outlay	201,425

Bond Issuance Costs	5,985
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	36,766
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Issuance of new bond - recorded as income in governmental funds	<u>(135,000)</u>
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Changes in Net Assets - Governmental Activities	<u><u>\$ 6,532</u></u>
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The accompanying notes are a part of the financial statements.

# Peaine Township

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## Fiduciary Fund Statement of Net Assets March 31, 2006

### Assets

Cash

\$ 537

### Liabilities

Due to Other Funds

\$ 537

The accompanying notes are a part of the financial statements.

# Peaine Township

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## Fiduciary Fund Statement of Changes in Fiduciary Net Assets For The Year Ended March 31, 2006

### Additions:

Property Tax Collections for:	
Primary Government	\$ 257,975
Component Unit	229,359
Other Governments	<u>1,687,938</u>
Total Additions	<u>2,175,272</u>

### Deductions:

Property Tax Distributions for:	
Primary Government	257,961
Component Unit	229,359
Other Governments	<u>1,687,938</u>
Total Distributions	<u>2,175,258</u>

Change in Net Assets	14
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Fiduciary Net Assets - April 1, 2005	<u>523</u>
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Fiduciary Net Assets - March 31, 2006	<u><u>\$ 537</u></u>
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The accompanying notes are a part of the financial statements.

# **Peaine Township**

## **Notes To Financial Statements For The Year Ended March 31, 2006**

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Peaine Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Peaine Township.

#### **A. Reporting Entity**

The Township operates under a Board-Supervisor form of government and provides the following services: public safety (fire), public improvements, planning and zoning, and general administrative services.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, these financial statements present the Local Unit (primary government). The criteria established by the GASB statements for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has blended component units.

#### **Blended Component Units**

Peaine and St. James Townships are the two townships on Beaver Island. These townships support the below-listed common facilities on a 50-50 basis. The facilities supported are controlled by and blended in the comprehensive financial statements of:

#### **PEAINE TOWNSHIP**

Beaver Island Waste Management Fund  
Emergency Medical Services Fund  
Beaver Island Airport Fund

#### **ST. JAMES TOWNSHIP**

Beaver Island Fire Department Fund  
Cemetery Fund

# Peaine Township

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## Notes To Financial Statements For The Year Ended March 31, 2006

The Beaver Island Yacht Dock is also operated jointly and controlled by St. James Township. Revenues were sufficient to support the yacht dock operations for the year ended March 31, 2006. Operating deficiencies are shared on the following basis:

	<u>PEAINE TOWNSHIP</u>	<u>ST. JAMES TOWNSHIP</u>
Yacht Dock	33 1/3 pct.	66 2/3 pct.

Financial statements for those funds that are controlled by St. James Township, may be obtained by contacting St. James Township on Beaver Island, Michigan.

### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# **Peaine Township**

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## **Notes To Financial Statements For The Year Ended March 31, 2006**

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenues Fund – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Agency Fund – The Agency Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

# **Peaine Township**

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## **Notes To Financial Statements For The Year Ended March 31, 2006**

### **D. Assets, Liabilities, and Net Assets or Equity**

#### **Cash and Cash Equivalents**

Cash is comprised of the amount of funds in bank accounts.

Cash Equivalents consisting of certificates of deposit are stated at cost or amortized cost, which approximates market.

#### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

#### **Capital Assets**

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives.

Land Improvements	20 years
Buildings and Improvements	40 years
Equipment	5 years

#### **Long-term Obligations**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that appropriates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

# **Peaine Township**

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## **Notes To Financial Statements For The Year Ended March 31, 2006**

As of March 31, 2006, the Township had \$421,888 of outstanding long-term debt.

### **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Use of Estimates**

The Township used estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

### **Accounting Change**

As of July 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$1,987,332, which was the amount previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the Township's applicable capital assets.

# **Peaine Township**

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## **Notes To Financial Statements For The Year Ended March 31, 2006**

- The fund financial statements focus on major funds rather than fund types.

The implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with implementation of Statement No. 34 based on GASB No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and various other disclosures.

### **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **Budgets and Budgetary Accounting**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearing is conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance prior to April 1.
4. The budget is adopted at the total fund level on a basis consistent with generally accepted accounting principles. Budget amounts are as originally adopted, or as amended by the Township Board during the year.
5. Appropriations expire at the end of the fiscal year.

#### **Excess of Expenditures over Appropriations in Budgeted Funds**

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. Peaine Township's budgeted and actual expenditures for the funds budgeted have been shown on a function basis.

#### **Accumulated Fund Deficits**

The Peaine Township had no funds with an accumulated fund balance/retained earnings deficit at March 31, 2006.

# **Peaine Township**

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## **Notes To Financial Statements For The Year Ended March 31, 2006**

### **NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Cash and Cash Equivalents – At March 31, 2006 the carrying amount of the Township's cash and cash equivalents were \$744,519.

Federal Depository Insurance – Of the above balances, \$620,648 was covered by federal depository insurance and U.S. Government guarantees. The remaining \$123,871 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form to be taken for the deposit of public funds. The township may experience significant fluctuations in deposit balances during the year.

### **NOTE 4 – PROPERTY TAXES**

Property taxes attach as an enforceable lien (due and payable) on property upon levy. Taxes are levied in December and are payable from December through February 28. The Township bills and collects its own property taxes and also taxes for other governmental units. Collections of the other governmental units' taxes and remittances of them to the units are accounted for in the Agency Fund. Property tax revenues are recognized when levied.

The Township is permitted by state law, subject to State Headlee and Truth-in-Taxation provision, to levy taxes up to \$1.00 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and unlimited amounts for payment of principal and interest on general obligation long-term debt.

# Peaine Township

## Notes To Financial Statements For The Year Ended March 31, 2006

The tax rates for the year ended March 31, 2006 were as follows:

PURPOSE	RATE/ ASSESSED VALUATION
Operations:	
General Operations (Allocated)	0.9630 per \$1000
General Operations (Voted)	2.4420 per \$1000
Waste Transfer Station	1.0871 per \$1000
Medical Center	1.7974 per \$1000
Roads	.9117 per \$1000
Airport	.6837 per \$1000
Fire Protection	.6321 per \$1000

### NOTE 5 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Balance of April 1, 2005	Additions	Disposal	Balance of March 31, 2006
Capital assets				
Land and Improvements				
Solely Owned	\$ 37,075	\$ -	\$ -	\$ 37,075
Jointly Owned	316,510	-	-	316,510
Total Land and Improvements	353,585	-	-	353,585
Buildings and Improvements				
Solely Owned	427,971	184,417	-	612,388
Jointly Owned	1,266,893	23,209	-	1,290,102
Total Buildings and Improvements	1,694,864	207,626	-	1,902,490
Equipment and Furniture				
Solely Owned	46,262	-	-	46,262
Jointly Owned	279,665	17,007	(21,334)	275,338
Total Equipment and Furniture	325,927	17,007	(21,334)	321,600
Total Capital Assets	2,374,376	224,633	(21,334)	2,577,675
Less: Accumulated Depreciation:	(514,582)	(97,095)	21,334	(590,343)
Total Capital Assets	\$ 1,859,794	\$ 127,538	\$ -	\$ 1,987,332

# Peaine Township

## Notes To Financial Statements For The Year Ended March 31, 2006

Depreciation expense was charged to the Township's functions as follows:

General Government	\$ 17,479
Public Safety	19,415
Public Works	55,345
Recreation & Culture	<u>4,856</u>
	<u>\$ 97,095</u>

### NOTE 6 – LONG-TERM OBLIGATIONS

A summary of long-term obligations at March 31, 2006, and transactions related thereto for the year then ended as follows:

	<u>Balance</u> <u>April 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>March 31, 2006</u>
<b>Notes Payable:</b>				
\$110,000 governmental obligation bond payable in annual installments of \$10,000, through May, 2014, plus interest of 4.5 percent per annum Charlevoix State Bank	\$ 110,000	\$ -	\$ 10,000	\$ 100,000
\$79,470 installment note payable in annual installments of \$10,093, through April, 2011, including interest of 4.6 percent per annum Michigan Department of Transportation for Airport expansion and improvements	59,255	-	7,367	51,888
\$270,000 note payable in semi-annual installments through April, 2034, the note bears interest of 4.5 percent per annum and is payable to the United States Department of Agriculture	<u>135,000</u>	<u>135,000</u>	<u>-</u>	<u>270,000</u>
	<u>\$ 304,255</u>	<u>\$135,000</u>	<u>\$ 17,367</u>	<u>\$ 421,888</u>

# Peaine Township

## Notes To Financial Statements For The Year Ended March 31, 2006

The annual principal requirements for the years ending thereafter are as follows:

<u>Year ended March 31</u>	<u>General Long-Term Obligations</u>
2007	\$ 22,706
2008	23,061
2009	23,431
2010	23,819
2011	25,225
2012 and thereafter	<u>303,646</u>
Total	\$ <u>421,888</u>

### NOTE 7 – RECEIVABLES AND PAYABLES

Receivables for the primary government at March 31, 2006 are as follows:

	<u>General Fund</u>	<u>Trust and Agency Fund</u>
Interfund Receivable	\$ 537	\$ -
Interfund Payable	-	537
	<u>\$ 537</u>	<u>\$ 537</u>

### NOTE 8 – PENSION PLAN

Elected members of the Township Board are eligible to participate in the Peaine Township Pension Plan administered by Travelers Insurance Company, a defined contribution plan. There are no unfunded liabilities. The Township is required to contribute 5 percent of each participant's annual compensation. Participant contributions are not required, but voluntary non-deductible contributions are allowed. Retirement expense totaled \$9,410 for the year based on eligible wages. Total payroll expense for all funds for the year ended March 31, 2006 was \$159,734.

### NOTE 9 – FUND EQUITY RESERVATIONS AND DESIGNATIONS

The Waste Management Fund has \$138,539 designated for health and welfare.

The Airport Fund has \$74,185 designated for public safety.

The EMS Fund has \$52,030 designated for health and welfare.

The Fire Fund has \$31,422 designated for public safety.

# **Peaine Township**

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## **Notes To Financial Statements For The Year Ended March 31, 2006**

The Road Fund has \$87,462 designated for public works.

The Liquor Fund has \$466 designated for public safety.

### **NOTE 10 – RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters.

The Township belongs to the Michigan Township Participating Plan, which currently operates as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance and workman's compensation coverage. The Plan is self-sustaining through member premiums and 100 percent reinsures through commercial companies.

# Peaine Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes:				
Property Tax	\$ 218,000	\$ 218,000	\$ 210,896	\$ (7,104)
Administrative Fees	5,000	5,000	7,948	2,948
State Revenues:				
State Shared Revenues	16,000	16,000	18,997	2,997
Charges for Services	6,600	6,600	7,837	1,237
Licenses and Permits	3,000	3,000	3,315	315
Interest	1,000	1,000	1,701	701
Refunds	-	-	593	593
Total Revenues	249,600	249,600	251,287	1,687
<b>Expenditures:</b>				
<b>Legislative</b>				
<b>Township Board</b>				
Salaries	9,388	9,388	9,388	-
Payroll Taxes	-	-	1,047	(1,047)
Office Supplies	2,000	2,000	6,279	(4,279)
Pension	-	-	5,020	(5,020)
Professional Services	7,000	7,000	423	6,577
Dues & Subscriptions	850	850	807	43
Education and Training	4,000	4,000	377	3,623
Insurance	9,000	9,000	7,393	1,607
Other Expenses	30,626	30,626	7,061	23,565
Total Legislative	62,864	62,864	37,795	25,069
<b>General Government</b>				
<b>Township Supervisor</b>				
Salaries & Wages	14,142	14,142	14,142	-
Clerical	3,000	3,000	2,433	567
Office Supplies	2,000	2,000	356	1,644
Total Township Supervisor	19,142	19,142	16,931	2,211
<b>Township Assessor</b>				
Salaries & Wages	13,688	13,688	13,688	-
Supplies	5,000	5,000	4,932	68
Total Township Assessor	18,688	18,688	18,620	68

# Peaine Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Township Clerk</b>				
Salary, Clerk	13,095	13,095	13,095	-
Wages, Deputy Clerk	2,500	2,500	2,568	(68)
Supplies	1,500	1,500	1,128	372
Total Township Clerk	17,095	17,095	16,791	304
<b>Township Board of Review</b>	1,000	1,000	600	400
<b>Township Treasurer</b>				
Salary, Treasurer	13,359	13,359	13,359	-
Wages, Deputy Treasurer	2,500	2,500	2,568	(68)
Supplies	4,000	4,000	2,308	1,692
Total Township Treasurer	19,859	19,859	18,235	1,624
<b>Building and Grounds</b>				
Utilities	6,000	6,000	7,127	(1,127)
Repairs & Maintenance	10,000	10,000	12,948	(2,948)
Other Expenses	2,000	2,000	1,130	870
Total Building & Grounds	18,000	18,000	21,205	(3,205)
<b>Total General Government</b>	93,784	93,784	92,382	1,402
<b>Community &amp; Economic Development</b>				
<b>Planning &amp; Zoning</b>				
Salary	5,151	5,151	5,151	-
Supplies	18,000	18,000	11,090	6,910
Contracted Services	6,000	6,000	4,056	1,944
Total Community & Economic Development	29,151	29,151	20,297	8,854
<b>Public Safety</b>	6,000	6,000	5,823	177

# Peaine Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Recreation and Culture</b>				
Recreation Program	4,500	4,500	3,000	1,500
Historical Society	8,518	8,518	8,518	-
Township Parks	17,000	17,000	12,039	4,961
Other	3,000	3,000	2,500	500
Total Recreation & Culture	33,018	33,018	26,057	6,961
<b>Capital Outlay</b>	-	-	9,324	(9,324)
Total Expenditures	224,817	224,817	191,678	33,139
<b>Excess of Revenues Over (Under) Expenditures</b>	24,783	24,783	59,609	34,826
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(2,000)	(2,000)	(27,058)	(25,058)
<b>Net Change in Fund Balance</b>	22,783	22,783	32,551	9,768
<b>Fund Balance - April 1, 2005</b>	364,198	364,198	364,198	-
<b>Fund Balance - March 31, 2006</b>	<u>\$ 386,981</u>	<u>\$ 386,981</u>	<u>\$ 396,749</u>	<u>\$ 9,768</u>

# Peaine Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - Waste Management Fund For The Year Ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Property Taxes	\$ 114,000	\$ 114,000	\$ 115,671	\$ 1,671
Charges for Services	92,000	92,000	84,504	(7,496)
Interest	200	200	633	433
Total Revenues	206,200	206,200	200,808	(5,392)
<b>Expenditures:</b>				
<b>Legislative</b>				
Payroll Taxes	-	-	1,137	(1,137)
Pension Expense	-	-	4,150	(4,150)
Total Legislative	-	-	5,287	(5,287)
<b>Public Works</b>				
Salaries & Wages	72,500	72,500	76,022	(3,522)
Employee Benefits	15,000	15,000	5,412	9,588
Insurance	5,000	5,000	4,186	814
Maintenance	3,000	3,000	4,137	(1,137)
Supplies	14,000	14,000	17,605	(3,605)
Utilities	9,000	9,000	7,639	1,361
Boat Freight	21,000	21,000	22,389	(1,389)
Disposal Expenses	56,700	56,700	33,846	22,854
Total Public Works	196,200	196,200	171,236	24,964
<b>Capital Outlay</b>	30,000	30,000	2,597	27,403
<b>Debt Service</b>				
Principal	-	-	19,449	(19,449)
Interest	-	-	840	(840)
Total Debt Service	-	-	20,289	(20,289)
Total Expenditures	226,200	226,200	199,409	26,791
<b>Excess of Revenues over Expenditures</b>	(20,000)	(20,000)	1,399	21,399
<b>Fund Balance - April 1, 2005</b>	137,140	137,140	137,140	-
<b>Fund Balance - March 31, 2006</b>	\$ 117,140	\$ 117,140	\$ 138,539	\$ 21,399

# Peaine Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - Airport Fund For The Year Ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Property Taxes	\$ 55,990	\$ 55,990	\$ 73,237	\$ 17,247
Charges for Services	14,700	14,700	13,106	(1,594)
Contributions from Governmental Units	-	-	1,500	1,500
Refunds	-	-	1,491	1,491
Interest Income	200	200	196	(4)
Total Revenues	70,890	70,890	89,530	18,640
<b>Expenditures:</b>				
<b>Legislative</b>				
Payroll Taxes	-	-	143	(143)
Pension Expense	-	-	240	(240)
Utilities	-	-	148	(148)
Maintenance	-	-	491	(491)
Total Legislative	-	-	1,022	(1,022)
<b>Public Works</b>				
Wages	5,100	5,100	3,931	1,169
Employee Benefits	600	600	960	(360)
Repairs & Maintenance	10,000	10,000	17,741	(7,741)
Utilities	6,000	6,000	15,751	(9,751)
Insurance	4,900	4,900	5,038	(138)
Hanger Expense	4,400	4,400	4,418	(18)
Supplies	1,000	1,000	2,351	(1,351)
Other	21,997	21,997	2,758	19,239
Total Public Works	53,997	53,997	52,948	1,049
<b>Debt Service</b>				
Principal	7,317	7,317	7,317	-
Interest	2,776	2,776	2,776	-
Total Debt Service	10,093	10,093	10,093	-
Total Expenditures	64,090	64,090	64,063	27
<b>Excess of Revenues over Expenditures</b>	6,800	6,800	25,467	18,667
<b>Other Financing Sources</b>				
Transfers In	2,000	2,000	1,500	(500)
<b>Net Change in Fund Balance</b>	8,800	8,800	26,967	18,167
<b>Fund Balance - April 1, 2005</b>	47,218	47,218	47,218	-
<b>Fund Balance - March 31, 2006</b>	\$ 56,018	\$ 56,018	\$ 74,185	\$ 18,167

# Peaine Township

## Other Supplementary Information Balance Sheet Nonmajor Funds March 31, 2006

<u>Assets</u>	<u>Road Fund</u>	<u>Fire Fund</u>	<u>EMS Fund</u>	<u>Liquor Fund</u>	<u>Total</u>
Cash	\$ 83,312	\$ 31,959	\$ 52,030	\$ 466	\$ 167,767
Taxes Receivable	4,150	-	-	-	4,150
Total Assets	<u>\$ 87,462</u>	<u>\$ 31,959</u>	<u>\$ 52,030</u>	<u>\$ 466</u>	<u>\$ 171,917</u>
 <u>Liabilities and Fund Equity</u>					
Liabilities:					
Accounts Payable	\$ -	\$ 537	\$ -	\$ -	\$ 537
Fund Balance:					
Unreserved	<u>87,462</u>	<u>31,422</u>	<u>52,030</u>	<u>466</u>	<u>171,380</u>
Total Fund Balance	<u>87,462</u>	<u>31,422</u>	<u>52,030</u>	<u>466</u>	<u>171,380</u>
Total Liabilities & Fund Equity	<u>\$ 87,462</u>	<u>\$ 31,959</u>	<u>\$ 52,030</u>	<u>\$ 466</u>	<u>\$ 171,917</u>

# Peaine Township

## Other Supplemental Information Statement of Revenues, Expenditures and Changes in Fund Balance Nonmajor Funds For The Year Ended March 31, 2006

	Road Fund	Fire Fund	EMS	Liquor Fund	Total
<b>Revenues:</b>					
Property Taxes	\$ 49,809	\$ -	\$ -	\$ -	\$ 49,809
State Grants	-	-	10,134	-	10,134
Contributions from Governmental Units	-	-	26,627	-	26,627
Charges for Services	-	-	18,361	-	18,361
Interest Income	798	2,384	328	-	3,510
Other Income	-	3,990	-	138	4,128
<b>Total Revenues</b>	<b>50,607</b>	<b>6,374</b>	<b>55,450</b>	<b>138</b>	<b>112,569</b>
<b>Expenditures:</b>					
<b>Health &amp; Welfare</b>					
Salaries & Wages	-	-	20,858	-	20,858
Ambulance	-	-	13,830	-	13,830
Operating Expenses	-	-	19,425	-	19,425
Office Supplies	-	-	7,083	-	7,083
Education & Training	-	-	22,303	-	22,303
Other	-	-	1,928	-	1,928
<b>Total Health &amp; Welfare</b>	<b>-</b>	<b>-</b>	<b>85,427</b>	<b>-</b>	<b>85,427</b>
<b>Public Safety</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75</b>	<b>75</b>
<b>Public Works</b>					
Road Maintenance	17,177	-	-	-	17,177
Dust Control	25,031	-	-	-	25,031
Other Expenses	954	-	-	-	954
<b>Total Public Works</b>	<b>43,162</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,162</b>
<b>Capital Outlay</b>	<b>-</b>	<b>175,093</b>	<b>14,411</b>	<b>-</b>	<b>189,504</b>
<b>Debt Service</b>					
Principal	10,000	-	-	-	10,000
Interest	5,440	-	-	-	5,440
<b>Total Debt Service</b>	<b>15,440</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,440</b>
<b>Total Expenditures</b>	<b>58,602</b>	<b>175,093</b>	<b>99,838</b>	<b>75</b>	<b>333,608</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(7,995)</b>	<b>(168,719)</b>	<b>(44,388)</b>	<b>63</b>	<b>(221,039)</b>

# Peaine Township

## Other Supplemental Information Statement of Revenues, Expenditures and Changes in Fund Balance Nonmajor Funds For The Year Ended March 31, 2006

	Road Fund	Fire Fund	EMS	Liquor Fund	Total
<b>Other Financing Sources (Uses)</b>					
Transfers In	-	-	25,558	-	25,558
Bond Proceeds	-	135,000	-	-	135,000
Bond Issuance Costs	-	(5,985)	-	-	(5,985)
Total Other Financing Sources	-	129,015	25,558	-	154,573
<b>Net Change in Fund Balance</b>	(7,995)	(39,704)	(18,830)	63	(66,466)
<b>Fund Balance - April 1, 2005</b>	95,457	71,126	70,860	403	237,846
<b>Fund Balance - March 31, 2006</b>	<u>\$ 87,462</u>	<u>\$ 31,422</u>	<u>\$ 52,030</u>	<u>\$ 466</u>	<u>\$ 171,380</u>

# Peaine Township

## Statement of Tax Levy and Collections March 31, 2006

	Millage Rate	Adjusted Levy	Collected	Returned Delinquent
Charlevoix County	4.6276	\$ 252,467	\$ 235,247	\$ 17,220
Seniors	0.3938	21,501	19,696	1,805
Medical Care Facility	1.2528	68,404	62,668	5,736
County Transit	0.2461	13,419	12,306	1,113
Recycle	0.1476	8,054	7,378	676
Beaver Island Public School	18.1700	805,027	744,996	60,031
Char-Emmet ISD	2.7002	147,570	135,172	12,398
Beaver Island District Library	0.9003	49,132	45,038	4,094
SET	6.0000	322,364	314,683	7,681
Township:				
General	3.4050	186,300	170,352	15,948
Fire	0.6321	34,522	31,619	2,903
Roads	0.9117	49,808	45,609	4,199
Airport	0.6837	37,207	34,201	3,006
Waster Transfer	3.4050	59,427	54,385	5,042
Medical Center	1.7974	98,203	89,928	8,275
Tax Collection Fee	-	21,867	20,556	1,311
Total	<u>45.2733</u>	<u>\$ 2,175,272</u>	<u>\$ 2,023,834</u>	<u>\$ 151,438</u>
Percent of Levy Collected	<u>93.04%</u>			

MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON  
VELDA K. KAMMERMANN

110 Park Avenue  
Charlevoix, Michigan 49720  
Telephone (231) 547-4911  
Facsimile (231) 547-5911

September 23, 2006

To the Board of Trustees  
Peaine Township

We have audited the financial statements of Peaine Township for the year ended March 31, 2006. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated, May 17, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Peaine Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Peaine Township are described in Note 1 to the financial statements. The Governmental Accounting Standards Board issued a new reporting model for governmental units, which was implemented for the fiscal year ended March 31, 2006. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year-end adjustments to the final presentation format. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

## **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

## **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **Issues Discussed Prior to Retention of Independent Auditors**

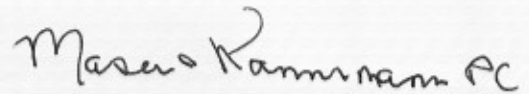
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Trustees and management of Peaine Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Mason & Kammermann PC". The signature is written in a cursive, flowing style.

Mason & Kammermann, P.C.  
Certified Public Accountants